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Minneapolis Community Development Agency

Request for City Council Action

Date: July 15, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by Jack Kryst, Phone 612-673-5130

Approved by Chuck Lutz, MCDA Interim Executive Director _______________

Subject: Release and Allocation of Property Tax Levy Revenues

Previous Directives: On December 13, 2001, the City Council authorized the MCDA to levy a 2001 property tax payable in 2002, not to exceed $4,000,000, and stipulated that the levy not be spent until the City Council has approved the MCDA/Planning/NRP reform plan.

Ward: Citywide.

Neighborhood Group Notification: Not applicable.

Consistency with *Building a City That Works:* Not applicable.

Comprehensive Plan Compliance: Not applicable.

Zoning Code Compliance: Not applicable.

Impact on MCDA Budget: (Check those that apply)

___ No financial impact
___ Action requires an appropriation increase to the MCDA Budget
_X_ Action provides increased revenue for appropriation increase
___ Action requires use of contingency or reserves
___ Other financial impact (Explain):

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Not applicable.

Crown Roller Mill,
105 Fifth Ave. S., Suite 200
Minneapolis, MN 55401-2534
Telephone: (612) 673-5095
TTY: (612) 673-5154
Fax: (612) 673-5100
www.mcda.org

RECOMMENDATION:

City Council Recommendation: That the City Council release $4,000,000 generated by the Minneapolis Community Development Agency's 2001 property tax levy and approve the allocation of $2,000,000 for affordable housing, $1,000,000 for the Minneapolis Industrial Land and Employment Strategy (MILES), and $1,000,000 for commercial corridors and small business assistance.

Background/Supporting Information

On December 13, 2001, the City Council approved 2001 property tax levies, payable in 2002, for various funds of the City. The approval included a Minneapolis Community Development Agency (MCDA) levy not to exceed $4,000,000, with the intended use being the community development priorities identified by the City Council – affordable housing, commercial corridors and nodes, brownfield cleanup and small business finance. The Council action stipulated that the levy cannot be spent until the City Council has approved the MCDA/Planning/NRP reform plan.

Since January 2002, McKinsey & Company has been engaged in a study of community and economic development in Minneapolis, for the purpose of developing recommendations regarding development priorities, key strategies and a realignment of City organizations and processes to support identified priorities. What was intended to be a 90-day study period has extended well beyond that time frame as the complexities of the subject have become apparent. It is recognized that it will take an additional period of time to reflect on McKinsey's findings and recommendations in order to develop and approve a reform plan.

Current Needs

The extended timeframe for the McKinsey study and the resulting delay in the approval of a reform plan and the release of the levy revenues have affected the MCDA's ability to address urgent needs in the areas of affordable housing, industrial development, commercial corridors and small business finance.

Business development projects awaiting the release of levy funds to the Minneapolis Industrial Land and Employment Strategy (MILES) program include:

<u>Tyler Street Northeast</u> – A nine-acre contaminated industrial site could accommodate 200,000 square feet of new light industrial building construction, providing over 300 living-wage manufacturing jobs.

<u>South East Minneapolis Industrial Area (SEMI)</u> – The acquisition and demolition of the Calumet elevator and acquisition of right-of-way is necessary prior to the construction of sewer lines and the Kasota Parkway. Completion of the road will open up 20 acres for up to 350,000 square feet of new light industrial development, creating over 500 new living-wage jobs.

North Washington Industrial Park – Acquisition of 218,000 square feet of railroad land east of 2nd Street North between Plymouth and 17th Avenues North, combined with the adjacent scrap yard properties, could support 160,000 of new light industrial building construction, creating over 250 living-wage jobs.

Eight multifamily development projects (totaling 204 units) did not receive allocations through the Multifamily RFP process and are awaiting funding:

Catholic Charities (Catholic Charities)
Alliance Housing (Alliance)
Indian Neighborhood Club (Indian Neighborhood Club)
1822 Park (CCHT)
Lindquist Apartments (RS Eden)
Heritage Park Phase 3 (McCormack Baron)
Restart (Restart)
17th Street Development (CCHT)

Additional projects in the Multifamily Housing Development workload, such as Parcel A and Lenox Apartments, are being evaluated for feasibility and may be candidates for the use of levy funds.

The current set aside for multifamily stabilization projects can fund only three or four of 20 potential projects. Project names and developers are listed below:

Elliot Park I (CHDC)
Little Earth (LEUTHC)
The Maples (PRG)
New Village Coop (PRG)
East Village Coop (PRG)
Nicollet Island Coop (TCHDC)
Oakland Square Coop (PRG)
Passages Community (Women's Community Housing)
Cecil Newman (TCHDC/NRRC)
Elliot Park IV (CCHT/Brighton)
Calypso Flats (Whittier)
B Flats (Whittier)
Double Flats (Whittier)
The Homewoods (TCHDC)
Buri Manor (CCHT/Brighton)
LaSalle Commons (CHDC)
Archdale Apartments (CCHT/Brighton)
Alliance Apartments (CCHT/Alliance)
Project Hope (Exodus)
Phillips Redesign (CCHT)

Recommended Allocation of Levy Revenues

The MCDA recommends that the City Council release the levy revenues at this time so that urgent needs can be addressed. It should be noted that this is not a request for the appropriation of these funds. Appropriation requests will be brought forward on a project by project basis and will be accompanied by a status report on the balance of levy allocations.

The MCDA recommends that the $4,000,000 be allocated as follows:

Affordable Housing	$ 2,000,000
MILES	1,000,000
Commercial Corridors/Small Business	1,000,000
	$ 4,000,000

The recommended allocations differ somewhat from the MCDA's and former Mayor Sharon Sayles Belton's original recommendations regarding the use of levy proceeds, which were based on a $6,000,000 levy, and included the following:

Multifamily Rental	$ 1,000,000
Single Family Ownership	1,000,000
MILES	1,500,000
Commercial Corridors & Nodes	1,200,000
Small Business Finance	1,300,000
	$ 6,000,000

The current MCDA recommendation is based on an analysis of current needs, priorities and available resources.

Requested City Council Action

The action requested of the City Council at this time is to release the levy revenues and approve the staff recommendation regarding the allocation of the $4,000,000.